MULTIMEDIA UNIVERSITY STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

DMG5018 – MANAGEMENT ACCOUNTING 1

(All sections / Groups)

26 OCTOBER 2018
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This Question paper consists of 5 pages with 5 Questions only.

2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.

3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Smart Packaging Sdn. Bhd. which is located in Seremban, specialises in manufacturing of woven sacks that are ideal for the packaging of products, which include fertilizers, food grains, sugar, seed and animal feeds. The company received many orders from companies around Seremban, Melaka and Kuala Lumpur.

The following costs and inventory data were provided by its accountant for the year 2017:

	1 Jan 2017 (RM)	31 Dec 2017 (RM)
Inventories:		
Raw materials	12,500	9,800
Work in process	21,200	17,650
Finished goods	25,800	18,200
Cost incurred:		
Raw materials purchases		65,500
Direct labour		18,500
Indirect materials		7,400
Indirect labours		5,300
Factory supervisor's salary		13,800
Factory insurance		30,600
Factory repairs and maintenance		3,700
Rental expense		36,000
Office salary expense		20,300
Transportation expense		14,800

Additional information:

a) 2/3 of the rental expense is for factory and the remaining is charged to office premise.
b) Sales revenue for the year is RM265,600.
c) Quantity of woven sacks produced for the year is 50,000 units.

Instructions:

a) Prepare a of cost of goods manufactured schedule for Smart Packaging Sdn. Bhd. for the year ended 31 December 2017. (8 marks)

b) Prepare the Statement of Comprehensive Income for Smart Packaging Sdn. Bhd. for the year ended 31 December 2017. (5 marks)

c) Calculate cost per unit for the woven sack produced. (2 marks)

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Part B

a) Briefly explain the following trend in managerial accounting:

i) Just-in-time (JIT) inventory (2 marks)

ii) Enterprise resource planning (ERP) system (2 marks)

b) Identify **TWO (2)** consequences of unethical business practises towards organisation. (1 mark)

(Total: 20 marks)

QUESTION 2

Mr. Adli runs his own t-shirts printing company, Triple A Printing Services and uses a job order cost system. He receives order from schools, government agencies, societies and private companies.
Below are the beginning balances as at 1 April 2017:

Work in Process Inventory	RM61,650
Job 1	RM27,250
Job 2	RM34,400

During April, a summary of source documents reveals the following:

Job	Material Requisition Slips (RM)	Labour Time Tickets (RM)
Job 1	5,600	6,500
Job 2	6,200	7,000
Job 3	6,850	7,550
Job 4	7,750	8,110
General use	1,500	2,300
Total	**27,900**	**31,460**

The company applies manufacturing overhead to jobs at an overhead rate of 45% of direct labour cost. Job No. 1 and 2 are completed during the month. However, only job No. 1 was sold on credit to customer at a profit margin of 40%.

Instructions:

a) Prepare summary journal entries to record the following transactions in the month of April 2017:
   i) raw materials requisitioned
   ii) factory labour used
   iii) the assignment of manufacturing overhead to jobs

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iv) the completion of Job No. 1 and 2.
v) sales of Job No. 1
Shows all your workings. (13 marks)

b) Prepare the Work in Process Inventory account for the month of April. (3.5 marks)

c) Identify **TWO (2)** benefits that Mr. Adli will get from the adoption of job order costing. (2 marks)

d) Briefly explain how pre-determined overhead rate is formulated and used in job order costing. (1.5 marks)

(Total: 20 marks)

QUESTION 3

Part A

Below is the information related to production and cost data for Blending Department of ANC Company, at the end of June 2017.

Units started into production	50,000
Units transferred out	42,000
Units in ending work in process	8,000

Percentage of completion of ending work in process:

Materials	100%
Conversion cost	55%

Manufacturing cost incurred:

Direct materials	RM120,000
Direct labour	RM98,000
Overhead	RM87,600

Instruction:

Prepare a production cost report for the month of June 2017, by using the weighted-average method. (16 marks)

Part B

Briefly explain **FOUR (4)** differences between process cost system and job order cost system. (4 marks)

(Total: 20 marks)

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QUESTION 4

Part A

Accountant of La Rizz Company has provided the following information after its first year of operation:

	(RM)
Sales (220,000 units)	3,520,000
Direct materials	1,078,000
Direct labour	638,000
Selling expenses (30% variable and 70% fixed)	190,000
Administrative expenses (40% variable and 60% fixed)	300,000
Manufacturing overhead (20% variable and 80% fixed)	440,000

The company has projected that unit sales will increase by 15% next year, while the fixed costs remain unchanged.

Instructions:

a) Compute the contribution margin for the current year and the projected year. (7 marks)

b) Compute the break-even point in units for the current year by using the contribution margin technique. (3 marks)

c) If the company's targeted net income is RM450,000, compute the required sales in RM (Ringgit Malaysia) for the company to achieve its target, by using contribution margin technique. (2 marks)

d) If the company achieves its targeted net income, by what percentage could its sales fall before it is operating at loss. (2 marks)

Part B

In 2016, Ehsan Company had a break-even point of RM1,500,000 based on a selling price of RM20 per unit and fixed costs of RM750,000. In 2017, the selling price and variable costs per unit remain the same, however the break-even point decreased to RM1,000,000.

Instructions:

a) Compute the variable cost per unit and the contribution margin ratio for 2016. (4 marks)

b) Compute the decrease in fixed costs for 2017 by using the contribution margin ratio. (2 marks)

(Total: 20 marks)

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QUESTION 5

Rio Sports Planet launched its new sport shoes, minimalist running shoes. Minimalist shoe soles come in slightly thicker rubber sole for road running, but the sole is still much more flexible and lightweight and offers more absorption.

As for the year 2018, the management expects to sell 50,000 pairs for RM155 per pair. Mr. Alan, the production manager, is considering producing either 50,000 or 60,000 pairs for the year.

Below are the related information and costs incurred:

Expected unit sales	50,000
Unit selling price	RM155
Direct material per unit	RM45
Direct labour per unit	RM30
Variable manufacturing overhead per unit	RM10
Fixed manufacturing overhead	RM300,000
Selling and administrative expenses (all fixed)	RM120,000

Instructions:

a) Calculate manufacturing cost per pair (i) based on 50,000 pairs and (ii) based on 60,000 pairs, assuming that the company is using absorption costing. (5 marks)

b) Prepare an absorption costing Statement of Comprehensive Income, by showing two columns (i) 50,000 pairs produced and (ii) 60,000 pairs produced. (13 marks)

c) Why is the net income different for the two production levels, even though the units sold remain the same at 50,000 pairs? (2 marks)

(Total: 20 marks)

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